

Half Yearly Report

December 31, 2015

Standard Chartered Modaraba



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Modaraba Information

Modaraba Company

Standard Chartered Services of Pakistan (Pvt) Limited

Directors of Modaraba Company

Mr. Khurram Shahzad Khan
Chairman

Mr. Raheel Qamar Ahmad
Managing Director/ Chief Executive

Syed Zaheer Mehdi
Director

Mr. Salar Hasan Khan
Director

Mr. Najam Siddiqi
Director

Mr. Shezad Arif
Director

Company Secretary

Mr. Muhammad Siddique

Audit Committee

Mr. Salar Hasan Khan
Chairman

Mr. Khurram Shahzad Khan
Member

Mr. Najam Siddiqi
Member

Human Resource and Remuneration

(HR&R) Committee

Syed Zaheer Mehdi
Chairman

Mr. Raheel Qamar Ahmad
Member

Mr. Salar Hasan Khan
Member

Shariah Advisor

Mufti Faisal Ahmed

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Bankers/ Financial Institutions

Standard Chartered Bank (Pakistan)
Limited (Saadiq)
Bank Islami Pakistan Limited
Meezan Bank Limited
United Bank Limited (UBL Ameen)
Habib Bank Limited (Islamic Banking)

Legal Advisors

Fazle Ghani Advocates
Izhar Law Associates
Sirajul Haque & Co.
Orr Dignam & Co
Mohsin Tayabali & Co
Liaquat Marchant Associates

Registered and Head Office

Standard Chartered Bank
Main Building, I. I. Chundrigar Road
P. O. Box 5556, Karachi-74000
Phone: 32450000
Email : ask.scm@sc.com

Branch Offices

Standard Chartered Bank Building
Tufail Road, P. O. Box 6131
Lahore Cantt.
Phone: (042) 36066277-80

Standard Chartered Bank Building
6-A, 2nd Floor, Union Arcade
F-7 Markaz, Islamabad
Phone: (051) 8432329-30

Registrars & Share Registration Office

Famco Associates (Private) Limited
8-F, Next to Hotel Faran, Nursery,
Block 6, P.E.C.H.S., Shahra-e-Faisal,
Karachi.
Tel : (92-21) 34380101-5
Fax : (92-21) 34380106
Email : info.shares@famco.com.pk

Directors' Review

For the half year ended December 31, 2015

The Board of Directors of Standard Chartered Services of Pakistan (Private) Limited, the management company of Standard Chartered Modaraba is pleased to present the unaudited accounts for the six months period ended December 31, 2015.

1. Economic Outlook

With improved macroeconomic indicators and market sentiments, Pakistan's GDP in FY 15 posted a 4.2% growth vs. 4.1% in FY14. Looking ahead, growth is expected to increase to 4.4% in FY16; and rise gradually over the medium-term to over 5% as infrastructure and energy projects, part of the China-Pakistan Economic Corridor, pick up pace.

Consumer-price inflation declined to an average of 4.5% in FY15 from 8.6% in the previous year, due to the decline in global oil and domestic food prices. The macroeconomic situation saw improvement in consumer and investor's confidence with increase in remittances, successful conclusion of the 10th IMF review and a record all time high FX reserves of over USD 20bn by December 2015. This has given room to central bank to ease monetary policy – cutting rates by 400 bps since November 2014, with the policy rate at 6% by end-December 2015. Lower interest rates have supported private credit off-take, for both corporate and consumer loans; in particular, fixed investment and long-term loans increased by nearly 19% y/y by December 2015. Meanwhile, the decline in global oil prices helped narrow the current account deficit to 0.9% of GDP in H1-FY16 compared to 1.8% for the corresponding period last year. The country also issued a USD 500 million Euro bond in September 2015.

2. Financial Highlights

Financial results are summarized as under:

	December 31, 2015 (PKR '000')	June 30, 2015 (PKR '000')
Balance Sheet		
Certificate capital	453,835	453,835
Total equity	1,090,927	1,152,825
Investment in Ijarah finance and Ijarah Assets	3,217,264	3,539,000
Investments in Diminishing Musharika and Sukuks	1,521,883	1,166,664
Redeemable capital	2,777,530	2,683,945
	Six Months ended December 31, 2015 (PKR '000')	Six Months ended December 31, 2014 (PKR '000')
Profit and Loss		
Revenue (net of Ijarah assets depreciation)	253,030	348,766
Financial charges	112,124	176,168
Reversal of provisions / (provision) – net	8,920	(23,016)
Operating expenses	47,999	44,767
Profit before modaraba management company's remuneration	101,197	104,816
Net profit	87,868	90,804

3. Review of Operations

During the period under review the Modaraba's net profit decreased by 3.2% from Rs. 90.80 million to Rs. 87.87 million as compared to the corresponding period last year. Due to an almost 30% decrease in discount rate occurring

Directors' Review

For the half year ended December 31, 2015

since last year, Gross revenue declined by 27.45% whereas financial charges also decreased by 36.35% as compared to corresponding period of last year. The portfolio of Ijarah finance, Sukuk investment and Diminishing Musharika finances stood at Rs. 4,739 million compared to Rs. 4,706 million as at June 30, 2015 showing a marginal increase of 0.71% within six months period. Your Modaraba continued focusing on raisings funds from the general public through Certificates of Musharika (CoMs). Thus, the balance of CoMs has increased by 3.49% to Rs. 2,778 million, as at December 31, 2015 as compared to Rs. 2,684 million as at June 30, 2015. The asset portfolio has a good mix of multi-nationals, large and medium sized local corporates and selective SME relationships.

Your Modaraba maintains a well diversified asset portfolio comprising of plant & machinery, motor vehicles and equipment. Moreover, the sector wise exposure is closely monitored. During the period under review, the Modaraba booked fresh disbursements to the tune of Rs. 1,094 million as compared to Rs. 770 million during the corresponding period last year.

Your Modaraba, while remaining cautious and prudent, is focused to take benefit of good opportunities that add value to all stake holders. Our prudent and proactive risk management approach has always helped us to maintain a leading position in the Modaraba sector. We will continue to place emphasis on customer service with focus on quality clientele.

4. Credit Rating

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the ratings of your Modaraba as AA+ (Double A plus) and A1+ (A one plus) for long-term and short-term respectively. These ratings indicate low expectation of credit risk and very strong capacity for timely payment of financial commitments.

On September 1, 2015, the Share and Certificate Purchase Agreement (SPA) was finalized and signed between Standard Chartered Bank (Pakistan) Limited (SCBPL) and Orix Leasing Pakistan Limited (OLP) for divestment of SCBPL shareholding in SCM to OLPL. As normal and routine practice, PACRA has placed the rating of SCM on Rating Watch until culmination of the transaction.

5. Acknowledgement

The Board appreciates the support of regulatory authorities, certificate-holders, customers and business partners and looks forward to their support in future.

The Board also acknowledges the commendable efforts of the staff members of Standard Chartered Modaraba without which the Modaraba's success could not have been possible.



Khurram Khan
Chairman

Karachi: February 15, 2016

Auditors' Review

For the half year ended December 31, 2015

Independent Auditors' Review Report to the Certificate holders on Review of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of Standard Chartered Modaraba ("the Modaraba") as at 31 December 2015, the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six months period then ended (here-in-after referred to as the "condensed interim financial information"). The Modaraba Management Company [Standard Chartered Services of Pakistan (Private) Limited] is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

Other matters

The figures for the quarters ended 31 December 2015 and 31 December 2014 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

Date: 15 February 2016

Karachi:

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

Condensed Interim Balance Sheet

As at December 31, 2015


		(Un-audited) 31 December 2015	(Audited) 30 June 2015
	Note	(Rupees)	
ASSETS			
Current assets			
Cash and bank balances	5	429,362,358	267,884,031
Ijarah rentals receivable	6	80,544,431	92,594,883
Advances, deposits, prepayments and other receivables		52,456,439	93,675,982
Current portion of investment in Sukuk certificates	7	-	-
Current portion of Diminishing Musharika	8	245,859,693	291,075,993
Net investment in Ijarah finance		370,000	370,000
Taxation recoverable		4,126,578	5,918,628
Total current assets		812,719,499	751,519,517
Non-current assets			
Long-term portion of investment in Sukuk certificates	7	-	-
Long-term portion of Diminishing Musharika	8	1,276,023,575	875,587,862
Ijarah assets	9	3,216,894,329	3,538,629,592
Fixed assets in own use	10	22,769,166	14,510,870
Total non-current assets		4,515,687,070	4,428,728,324
TOTAL ASSETS		5,328,406,569	5,180,247,841
LIABILITIES AND EQUITY			
Current liabilities			
Musharika finance	11	9,564,992	22,521,193
Current maturity of Musharika term finance arrangements	12	362,091,661	387,091,664
Current maturity of security deposits		172,138,922	170,402,000
Creditors, accrued and other liabilities		177,473,248	208,722,973
Advance Ijarah rentals received		63,977,877	36,987,366
Current portion of redeemable capital		1,464,340,000	840,805,000
Unclaimed profit distribution		56,695,962	33,843,488
Total current liabilities		2,306,282,662	1,700,373,684
Non-current liabilities			
Long-term portion of Musharika term finance arrangements	12	200,000,000	68,545,829
Long-term portion of security deposits		418,007,407	415,363,799
Long-term portion of redeemable capital		1,313,190,000	1,843,140,000
		1,931,197,407	2,327,049,628
TOTAL LIABILITIES		4,237,480,069	4,027,423,312
CERTIFICATE HOLDERS' EQUITY			
Certificate capital			
Authorised certificate capital			
50,000,000 (June 2015: 50,000,000) certificates of Rs 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital			
28,500,000 (June 2015: 28,500,000) certificates of Rs 10 each fully paid in cash		285,000,000	285,000,000
16,883,530 (June 2015: 16,883,530) bonus certificates of Rs 10 each		168,835,300	168,835,300
		453,835,300	453,835,300
Unappropriated profit		107,211,021	173,502,431
Other reserves		529,880,179	525,486,798
		1,090,926,500	1,152,824,529
TOTAL LIABILITIES AND EQUITY		5,328,406,569	5,180,247,841

CONTINGENCIES AND COMMITMENTS

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The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.

For Standard Chartered Services of Pakistan (Private) Limited
(Management Company)


Khuram Shahzad Khan
Chairman


Raheel Qamar Ahmad
Chief Executive


Syed Zaheer Mehd
Director


Condensed Interim Profit and Loss Account and Other Comprehensive Income (Unaudited)

For the six months period ended 31 December 2015

	Note	Six months period ended 31 December 2015	Six months period ended 31 December 2014	Three months period ended 31 December 2015	Three months period ended 31 December 2014
		(Rupees)			
Ijarah rentals earned		853,529,361	999,126,045	415,449,501	506,403,359
Income on Diminishing Musharika arrangements		64,247,148	78,941,920	32,579,466	38,439,960
Income on deposits with banks		7,244,715	11,372,171	3,532,315	7,929,134
		<u>925,021,224</u>	<u>1,089,440,136</u>	<u>451,561,282</u>	<u>552,772,453</u>
Financial charges		(112,123,879)	(176,167,571)	(55,513,911)	(90,232,659)
Depreciation on assets under Ijarah arrangements		(690,727,119)	(771,513,763)	(341,517,507)	(387,282,760)
Impairment on assets under Ijarah arrangements		-	(24,243,302)	-	(24,243,302)
		<u>122,170,226</u>	<u>117,515,500</u>	<u>54,529,864</u>	<u>51,013,732</u>
Reversal of provision in respect of Ijarah finances - net		7,054,942	1,002,540	660,429	9,773,891
Reversal of provision in respect of Diminishing Musharika		1,235,381	224,743	1,123,010	112,371
		<u>130,460,549</u>	<u>118,742,783</u>	<u>56,313,303</u>	<u>60,899,994</u>
Other income		18,736,137	30,840,084	11,760,620	21,208,985
Administrative and operating expenses		(47,999,353)	(44,766,660)	(23,958,855)	(22,635,365)
		<u>101,197,333</u>	<u>104,816,207</u>	<u>44,115,068</u>	<u>59,473,614</u>
Management Company's remuneration		(10,119,733)	(10,481,621)	(4,411,507)	(5,947,362)
Provision for services sales tax on Management Company's remuneration	14	(1,416,763)	(1,677,059)	(617,611)	(951,578)
Provision for Workers' Welfare Fund	15	(1,793,217)	(1,853,151)	(781,719)	(1,051,494)
Profit for the period before taxation		<u>87,867,620</u>	<u>90,804,376</u>	<u>38,304,231</u>	<u>51,523,180</u>
Taxation	16	-	-	-	-
Profit for the period after taxation		<u>87,867,620</u>	<u>90,804,376</u>	<u>38,304,231</u>	<u>51,523,180</u>
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		<u>87,867,620</u>	<u>90,804,376</u>	<u>38,304,231</u>	<u>51,523,180</u>
Earnings per certificate - basic and diluted		<u>1.94</u>	<u>2.00</u>	<u>0.84</u>	<u>1.14</u>

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.

For Standard Chartered Services of Pakistan (Private) Limited
(Management Company)


Khuram Shahzad Khan
Chairman


Raheel Qamar Ahmad
Chief Executive


Syed Zaheer Mehdi
Director


Condensed Interim Cash Flow Statement (Unaudited)

For the six months period ended 31 December 2015

Note	Six months period ended 31 December 2015	Six months period ended 31 December 2014
	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before taxation	87,867,620	90,804,376
Adjustments for non-cash and other items:		
Depreciation / amortisation on fixed assets in own use	4,217,515	4,293,207
Depreciation on Ijarah assets	690,727,119	771,513,763
Gain on disposal of Ijarah assets	(17,062,098)	(29,264,934)
Impairment against Assets under Ijarah arrangements	-	24,243,302
(Reversal of provision) / provision in respect of Ijarah finances - net	(7,054,942)	(1,002,540)
(Reversal of provision) in respect of Diminishing Musharika	(1,235,381)	(224,743)
Income on deposits with bank	(7,244,715)	(11,372,171)
Profit on:		
- Redeemable capital	83,753,356	129,627,780
- Musharika finance	36,798	76,991
- Musharika term finance arrangements	13,321,982	29,123,937
Provision for services sales tax on Management Company's remuneration	1,416,763	1,677,059
Provision for Workers' Welfare Fund	1,793,217	1,853,151
	762,669,614	920,544,802
	850,537,234	1,011,349,178
Working capital changes		
<i>(Increase) / decrease in operating assets</i>		
Advances, deposits, prepayments and other receivables	42,090,671	111,053,971
Ijarah rentals receivable	19,105,394	24,140,615
Diminishing Musharika	(353,984,032)	130,275,852
Purchase of assets under Ijarah arrangements	(570,889,258)	(793,754,668)
Proceeds from disposal of assets under Ijarah arrangements	218,959,500	538,267,981
	(644,717,725)	9,983,751
<i>Increase / (decrease) in liabilities</i>		
Creditors, accrued and other liabilities	(28,903,039)	(24,778,944)
Advance Ijarah rentals received	26,990,511	5,351,214
Security deposits	4,380,530	(158,443,793)
	2,468,002	(177,871,523)
	208,287,511	843,461,406
Profit paid on		
- Redeemable capital	(86,898,774)	(113,819,192)
- Musharika finances	(17,705)	(143,941)
- Musharika term finance arrangements	(13,959,106)	(34,852,810)
	(100,875,585)	(148,815,943)
Taxes paid	(1,167)	-
Net cash generated from operating activities	107,410,759	694,645,463
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(12,475,811)	-
Income on deposits with bank	6,373,587	9,301,580
Net cash (used in) / generated from investing activities	(6,102,224)	9,301,580
CASH FLOWS FROM FINANCING ACTIVITIES		
Redeemable capital less repayments	93,585,000	684,795,000
Musharika term finance less repayments	106,454,168	(467,346,260)
Profit paid to certificate holders	(126,913,175)	(115,243,928)
Net cash generated from financing activities	73,125,993	102,204,812
Increase in cash and cash equivalents	174,434,528	806,151,855
Cash and cash equivalents at the beginning of period	245,362,838	(140,904,321)
Cash and cash equivalents at end of the period	419,797,366	665,247,534

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.

For Standard Chartered Services of Pakistan (Private) Limited
(Management Company)


Khuram Shahzad Khan
Chairman


Raheel Qamar Ahmad
Chief Executive


Syed Zaheer Mehdi
Director


Condensed Interim Statement of Changes in Equity (Unaudited)

For the six months period ended 31 December 2015

	Paid-up certificate capital	Premium on modaraba certificates	Reserves			Total
			Statutory reserve	Unappropri- ated profit	Sub-total	
			(Rupees)			
Balance as at 1 July 2014	453,835,300	55,384,700	431,008,050	153,276,827	639,669,577	1,093,504,877
Total comprehensive income for the period						
- Profit for the six months period ended 31 December 2014	-	-	-	90,804,376	90,804,376	90,804,376
- Other comprehensive income	-	-	-	-	-	-
	-	-	-	90,804,376	90,804,376	90,804,376
Transactions with owners						
Profit distribution for the year ended 30 June 2014 @ Rs. 3 per certificate	-	-	-	(136,150,590)	(136,150,590)	(136,150,590)
Transfer to statutory reserve	-	-	18,160,875	(18,160,875)	-	-
Balance as at 31 December 2014	453,835,300	55,384,700	449,168,925	89,769,738	594,323,363	1,048,158,663
Balance as at 1 July 2015	453,835,300	55,384,700	470,102,098	173,502,431	698,989,229	1,152,824,529
Total comprehensive income for the period						
- Profit for the six months period ended 31 December 2015	-	-	-	87,867,620	87,867,620	87,867,620
- Other comprehensive income	-	-	-	-	-	-
	-	-	-	87,867,620	87,867,620	87,867,620
Transactions with owners						
Profit distribution for the year ended 30 June 2015 @ Rs. 3.3 per certificate	-	-	-	(149,765,649)	(149,765,649)	(149,765,649)
Transfer to statutory reserve	-	-	4,393,381	(4,393,381)	-	-
Balance as at 31 December 2015	453,835,300	55,384,700	474,495,479	107,211,021	637,091,200	1,090,926,500

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.

For Standard Chartered Services of Pakistan (Private) Limited
(Management Company)


Khuram Shahzad Khan
Chairman


Raheel Qamar Ahmad
Chief Executive


Syed Zaheer Mehdi
Director

Notes to the Condensed Interim Financial Information (Unaudited) For the six months period ended 31 December 2015

1. STATUS AND NATURE OF BUSINESS

Standard Chartered Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by Standard Chartered Services of Pakistan (Private) Limited. The Management Company is a wholly owned subsidiary of Standard Chartered Bank (Pakistan) Limited. The address of its registered office is Standard Chartered Bank Building, I. I. Chundrigar Road, Karachi, Pakistan.

The Modaraba is a perpetual modaraba and is primarily engaged in leasing of plant, machinery, motor vehicles (both commercial and private), computer equipments, etc. The Modaraba may also invest in commercial and industrial ventures suitable for the Modaraba. The Modaraba is listed on the Pakistan Stock Exchange.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned long term rating of AA+ and short term rating of A1+ to the Modaraba.

On 1 September 2015, Standard Chartered Bank (Pakistan) Limited has entered into a share and certificate purchase agreement with Orix Leasing Pakistan Limited with regard to proposed divestment of its 100% stake in Standard Chartered Services of Pakistan (Private) Limited (Modaraba's Management Company) and 20% stake (10% directly and 10% through Standard Chartered Services of Pakistan (Private) Limited) in Standard Chartered Modaraba. This transaction and its implementation is subject to satisfaction of various conditions including regulatory approvals contained in the agreements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

a) This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and the directives issued by SECP differ with the requirements of IFRSs or IFAS, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 or the directives issued by the SECP prevail.

The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34; 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published financial statements of the Modaraba for the year ended 30 June 2015.

The comparative balance sheet presented in this condensed interim financial information as at 31 December 2015 has been extracted from the audited financial statements of the Modaraba for the year ended 30 June 2015, whereas the comparative profit and loss account and other comprehensive income, cash flow statement and statement of changes in equity have been extracted from the condensed interim financial information for the period ended 31 December 2014.

2.2 Functional and presentation currency

This condensed interim financial information is presented in Pakistani Rupees which is also the Modaraba's functional currency and all financial information presented has been rounded off to the nearest rupee.

2.3 Significant accounting estimates and judgements

The preparation of this condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. However, actual results may differ from these estimates. In preparing this condensed interim financial information the significant judgements made by the management in applying the Modaraba's accounting policies and the key sources of estimates and uncertainty were the same as those that were applied to the financial statements for the year ended 30 June 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Modaraba for the year ended 30 June 2015. Following standards became effective during the period:

3.1 New, Amended And Revised Standards And Interpretations of IFRSs

IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities' and IFRS 13 'Fair Value Measurements'. These standards became applicable from 1 January 2015, as per the adoption status of IFRS in Pakistan.

The application of IFRS 10, IFRS 11 and IFRS 12 did not have any impact on the financial statements of the Modaraba.

IFRS 13 Fair Value Measurement, consolidates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exit price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. The application of IFRS 13 did not have an impact on the

Notes to the Condensed Interim Financial Information (Unaudited)

For the six months period ended 31 December 2015

financial statements of the Modaraba, hence no additional disclosures are included in this interim financial information.

4. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Modaraba are consistent with those disclosed in the annual financial statements as at and for the year ended 30 June 2015.

5. CASH AND BANK BALANCES

		(Un-audited) 31 December	(Audited) 30 June
	Note	2015	2015
		------(Rupees)-----	
Balances with banks			
- in current accounts		30,709,121	20,003,470
- in deposit accounts	5.1	398,627,442	247,866,152
Cash in hand		25,795	14,409
		<u>429,362,358</u>	<u>267,884,031</u>

- 5.1 These include balances maintained with Standard Chartered Bank (Pakistan) Limited (a related party) amounting to Rs 83.981 million (June 2015: 35.577 million) and carry profit at rate ranging between 3.9% - 5.25% per annum (June 2015: 4.21% to 5.65%). The balances with banks in deposit accounts have been kept in order to comply with the requirement of guidelines issued by the Securities and Exchange Commission of Pakistan (SECP) with respect to the maintenance of prescribed liquidity against the Certificates of Musharika issued by the Modaraba.

		(Un-audited) 31 December	(Audited) 30 June
	Note	2015	2015
		------(Rupees)-----	
Ijarah rentals receivable - considered good		76,444,086	88,351,245
Ijarah rentals receivable - considered bad or doubtful		40,654,519	58,195,219
Less: allowance for potential Ijarah losses	6.1	(25,611,891)	(37,267,892)
Less: profit held in suspense	6.2	(10,942,283)	(16,683,689)
		<u>4,100,345</u>	<u>4,243,638</u>
		<u>80,544,431</u>	<u>92,594,883</u>

6.1 Allowance for potential Ijarah losses

Opening balance	37,267,892	35,321,727
Charge / (reversal) for the period / year	(7,054,942)	1,946,165
Amount written off during the period / year	(4,601,059)	-
Closing balance	<u>25,611,891</u>	<u>37,267,892</u>

6.2 Profit held in suspense

Opening balance	16,683,689	20,189,295
Income suspended during the period / year - net	(5,584,194)	(3,505,606)
Income write off during the period / year	(157,212)	-
Closing balance	<u>10,942,283</u>	<u>16,683,689</u>

7. INVESTMENT IN SUKUK CERTIFICATES

Held-to-maturity investments

Investment in Sukuk certificates	57,701,835	57,701,835
Less: Provision in respect of Sukuk certificates	(57,701,835)	(57,701,835)
	-	-
Less: Current portion of investment in Sukuk Certificates	-	-
	<u>-</u>	<u>-</u>

8. DIMINISHING MUSHARIKA

- Staff		
Housing finance	29,185,867	33,237,567
Others	2,373,700	1,614,549
	<u>31,559,567</u>	<u>34,852,116</u>
- Other Customers		
Housing finance	776,117,302	623,803,308
Others	736,054,047	531,091,460
Less: Provision in respect of Diminishing Musharika	(21,847,648)	(23,083,029)
	<u>1,490,323,701</u>	<u>1,131,811,739</u>
	<u>1,521,883,268</u>	<u>1,166,663,855</u>
Less: Current portion of Diminishing Musharika	(245,859,693)	(291,075,993)
	<u>1,276,023,575</u>	<u>875,587,862</u>

Notes to the Condensed Interim Financial Information (Unaudited)

For the six months period ended 31 December 2015

- 8.1 This includes diminishing musharika facility availed by key management personnel with respect to housing finance and personal finance amounted to Rs 19,181 million (June 2015:Rs 26,010 million) and Rs 1,324 million (June 2015:Rs 0.531 million) respectively.

9. IJARAH ASSETS

	(Un-audited) 31 December 2015	(Audited) 30 June 2015
Note		
		(Rupees)
Ijarah contracts - accounted for under IFAS 2	3,216,894,329	3,538,629,592

- 9.1 The following additions to and disposals of Ijarah assets have been made during the period:

	(Un-audited) 31 December 2015	(Un-audited) 31 December 2014
		(Rupees)
Additions at cost during the period		
- Plant, machinery and equipments	231,007,135	500,588,005
- Motor vehicles	339,882,123	293,166,663
	570,889,258	793,754,668
Disposals at cost during the period		
- Plant, machinery and equipments	422,181,335	722,311,682
- Motor vehicles	528,389,888	622,084,534
	950,571,223	1,344,396,216

- 9.2 Ijarah facility extended to key management personnel as per HR policies having net book value amounting to Rs. 3.710 million (June 2015: Rs. 1.732 million).

	(Unaudited) 31 December 2015	(Audited) 30 June 2015
Note		
		(Rupees)
Tangible assets	4,089	93,908
Intangible assets	10,289,266	14,416,962
WIP	12,475,811	-
	22,769,166	14,510,870

- 10.1 This include payments made to contractors for construction of new offices.

	(Un-audited) 31 December 2015	(Audited) 30 June 2015
Note		
		(Rupees)
Musharika with:		
- an associated undertaking - secured	9,564,992	22,521,193

- 11.1 The total facility for musharika finance available from Standard Chartered Bank (Pakistan) Limited amounts to Rs 500 million (June 2015: Rs 500 million) and carries profit of Re 0.2071 (June 2015: Re 0.2453) per rupee one thousand per day. The facility is secured against a specific charge over moveable leased out assets of the Modaraba along with the associated receivables and is due to mature on December 31, 2015.

	(Un-audited) 31 December 2015	(Audited) 30 June 2015
		(Rupees)
Musharika with other banks	562,091,661	455,637,493
Less: Current portion of musharika term finance	(362,091,661)	(387,091,664)
	200,000,000	68,545,829

Notes to the Condensed Interim Financial Information (Unaudited)

For the six months period ended 31 December 2015

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

An agreement was executed between Haleeb Foods Limited and the consortium of financial institutions. As per the terms of the agreement, Meezan Bank Limited had to provide working capital facilities to the tune of Rs. 425 million to Haleeb Foods Limited which were subsequently enhanced to Rs. 700 million. Inland usance letter of credit facility of Rs. 96.12 million to Haleeb Foods Limited was initially extended by consortium of financial institutions on standalone basis. However, upon enhancement of facilities to Rs. 700 million, the enhanced amount incorporated the said facility as a sublimit of the revised agreement. The Modaraba's share out of the working capital line was Rs. 39.34 million which was to be provided in the form of letter of credit and Ijarah finance. The letters of credit (LCs) were established by Meezan Bank Limited on behalf of the consortium and the outstanding balance of the Modaraba's share against LCs was Rs. 3.098 million as at 31 December 2015.

13.2 Commitments

The Modaraba has issued letter of comfort to Meezan Bank Limited and Bank Alfalah Limited equal to an amount of Rs. 33,060 million and Rs. 42.83 million on behalf of Safina Foods (Private) Limited and Tariq Glass Industries Limited respectively.

14. PROVISION FOR SERVICES SALES TAX ON MANAGEMENT COMPANY'S REMUNERATION

Pursuant to Order number SRB-COM-I/AC-V/Mgt/SCSOP/5878/2012 of the Sindh Revenue Board (SRB) dated 22 April 2013, the Modaraba has recorded a provision in respect of Sindh sales tax on Management Company's remuneration at applicable rates with effect from 1 November 2011. The Management Company has filed an appeal before the Appellate Tribunal SRB against this order, which is pending adjudication.

15. PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) due to which the Modaraba became liable to pay contribution to Workers' Welfare Fund (WWF) at the higher of the profit before taxation as per the financial statements or the return of income.

Provision for WWF has been netted off against taxation recoverable.

16. TAXATION

As per the Second Schedule to the Income Tax Ordinance, 2001, the income of a non-trading modaraba is exempt from income tax provided that it distributes at least 90% of its profits to its certificate holders for the year after making appropriation for statutory reserves. The Modaraba intends to continue to avail this exemption by distributing 90% of its profits to its certificate holders after making appropriation to statutory reserves for the year ending 30 June 2016. Accordingly, no provision in respect of current and deferred taxation has been made in this condensed interim financial information.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise of the following balance

		(Un-audited) 31 December 2015	(Un-audited) 31 December 2014
Note			
		----- (Rupees) -----	
Cash and bank balances	5	429,362,358	672,348,639
Musharika finance	11	(9,564,992)	(7,101,105)
		419,797,366	665,247,534

18. RELATED PARTIES TRANSACTIONS

The related parties of the Modaraba include the management company, staff retirement funds, directors and key management personnel and Standard Chartered Bank (Pakistan) Limited. Transactions with related parties other than remuneration and benefits to key management personnel (which are employed by the management company) under the terms of their employment are as follows:

	Six months period ended 31 December 2015 (Un-audited)	Six months period ended 31 December 2014 (Un-audited)
	----- (Rupees) -----	
Standard Chartered Bank (Pakistan) Limited - Holding Company of the Management Company		
Profit on Musharika finance	36,798	76,991
Profit on Musharika term finance	-	4,473,523
Profit on deposit account	1,133,667	1,935,284
Bank charges and commission	14,848,478	16,640,673
Charge for reimbursement of miscellaneous expenses	2,431,680	3,824,082
Profit Distribution	14,976,565	13,615,059
Staff retirement benefits funds		
Contribution to the staff provident fund	1,255,126	1,162,733
Contribution to the staff gratuity fund	1,026,359	960,596

Notes to the Condensed Interim Financial Information (Unaudited)

For the six months period ended 31 December 2015

	Six months period ended 31 December 2015 (Un-audited)	Six months period ended 31 December 2014 (Un-audited)
	(Rupees) -----	
Standard Chartered Services of Pakistan (Private) Limited		
- Management Company		
Management company's remuneration	10,119,733	10,481,621
Profit distribution	14,976,565	13,615,059
Key Management Personnel		
Salaries and benefits	16,965,377	17,645,153
Contribution to the staff provident fund	535,994	549,456
Contribution to the staff gratuity fund	446,478	457,698
Income earned on DM finances	1,307,470	1,758,412
Ijarah rental earned on Ijarah finances	663,075	1,109,531
Profit on Redeemable Capital	111,514	214,295
Number of persons	6	7

The Modaraba enters into transactions with related parties for borrowings under Musharika finances and other general banking services. These transactions are based on a transfer pricing policy under which all transactions are carried out on agreed terms. The balances with related parties other than balances that have been disclosed in the respective notes are as follows:

	(Unaudited) 31 December 2015	(Audited) 30 June 2015
	(Rupees) -----	
Standard Chartered Bank (Pakistan) Limited - Holding Company		
Advances, deposits, prepayments and other receivables	36,903,708	51,733,460
Creditors, accrued and other liabilities	19,093	18,360,977
Standard Chartered Services of Pakistan (Private) Limited		
- Management Company		
Management company's remuneration payable	10,119,733	22,537,787
Other receivable	-	189,447
Key Management Personnel		
Redeemable Capital	3,100,000	4,200,000

19. SEGMENT INFORMATION

As per IFRS 8: "Operating Segments", operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer of the Management Company has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Executive Officer is responsible for the Modaraba's entire product portfolio and considers the business to have a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

The internal reporting provided to the Chief Executive Officer for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investments in entities incorporated in Pakistan.

The Modaraba has a diversified product portfolio whereby resources have been allocated.

The Modaraba also has a diversified certificate holder population. As at 31 December 2015, there were only two (June 2015: two) certificate holders who each held more than 10% of the Modaraba's certificate capital. Their holdings were 10% and 10% (June 2015: 10% and 10%) respectively.

20. CORRESPONDING FIGURES


Corresponding figures have been rearranged or reclassified wherever necessary for the purpose of comparison and better presentation. There were no major reclassifications in this condensed interim financial information during the current period.

21. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue on February 15, 2016 by the Board of Directors of the Management Company.

22. GENERAL

Figures have been rounded off to the nearest rupee.


Khuram Shahzad Khan
Chairman


Raheel Qamar Ahmad
Chief Executive


Syed Zaheer Mehdi
Director

